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August 30, 1975

No. 669

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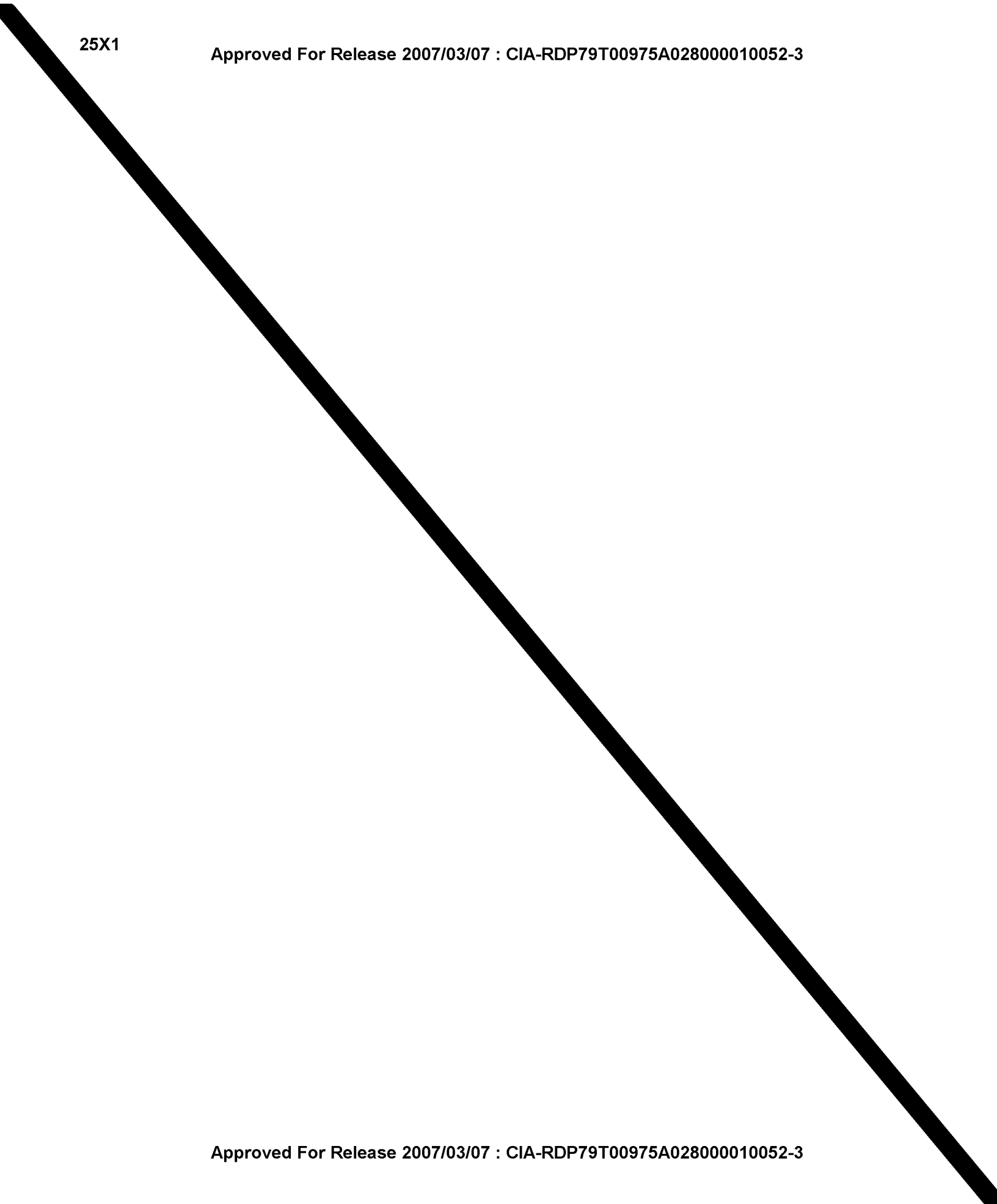

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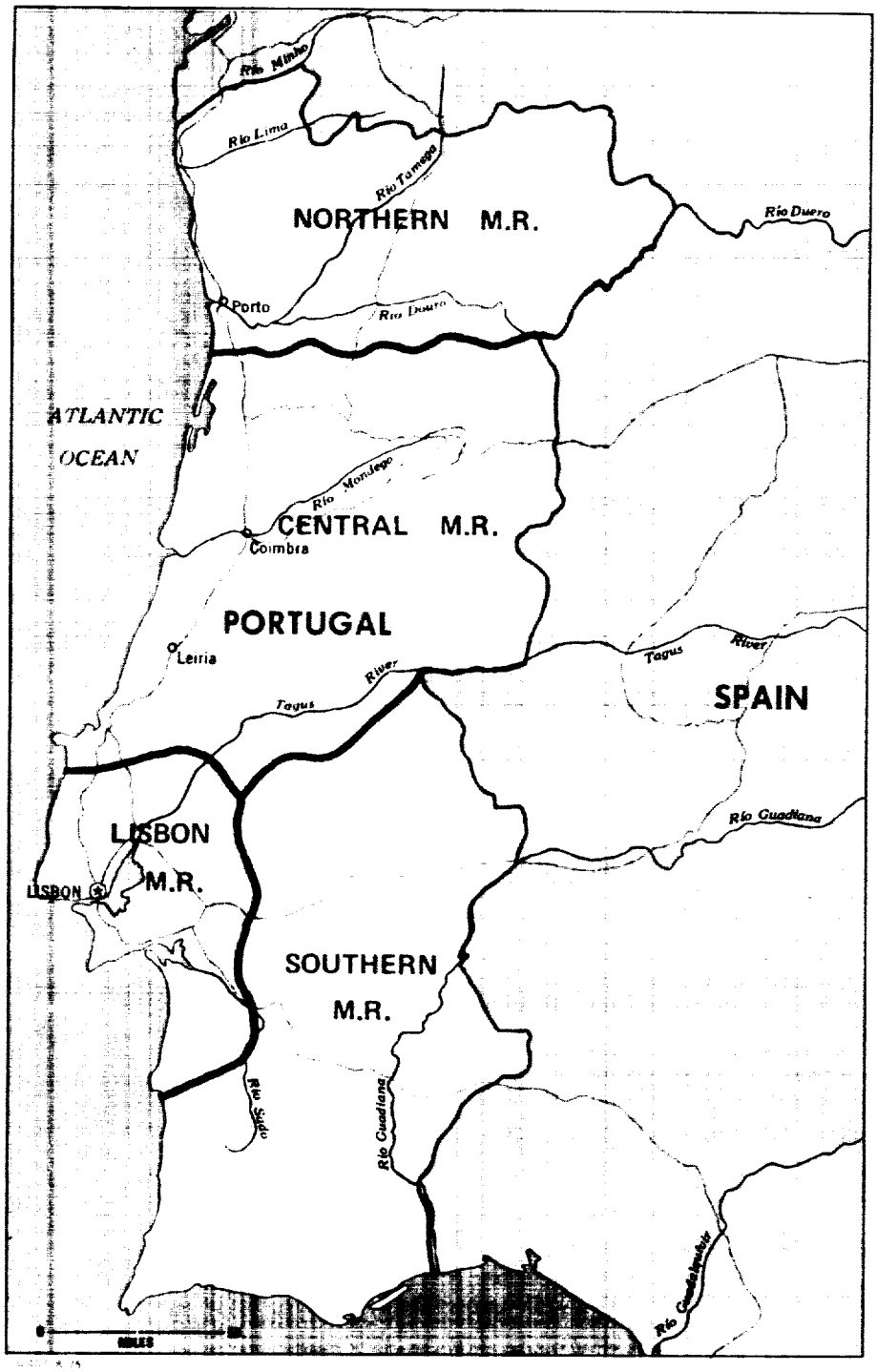

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PORTUGAL

The anti-Communist faction of Melo Antunes, which spearheaded the drive against Goncalves, has so far not responded to the appointment of Admiral Azevedo as Portugal's prime minister or to General Goncalves' being named armed forces chief of staff.

The US embassy reports, however, that actions of the military in northern Portugal in the past two days may be seen as part of the Antunes group's strategy for gaining power. It is designed to start in the north, gather both military and civilian support, and gradually isolate Lisbon. The Antunes group claims to have near-total support in both the northern and central military regions. Units elsewhere remain a question.

Yesterday, Central Military Region Commander Charais, a staunch supporter of the Antunes group who could emerge as a strongman, issued a communique stating his units will guarantee that Portugal does not revert to a totalitarian regime. He also called on the civilian population to give unequivocal support to his troops.

The communique and a letter signed by officers in Porto, demanding that General Corvacho not be reinstated as northern region commander as was decided by the Revolutionary Council earlier this week, were both seen as in keeping with Antunes' strategy.

The Antunes group, while admitting Admiral Azevedo is not a Communist, sees him as weak and susceptible to manipulation. Azevedo, 58, reportedly is a close friend of President Costa Gomes and was named navy chief of staff five days after the Armed Forces Movement overthrew the Caetano regime on April 25, 1974. He retained that post throughout the hectic 16 months that have followed—no mean task. He is described by many as having only limited influence in the navy, which is under the influence of more-radical officers.

Azevedo clearly favors a leftist course, although he is not as extreme in his views as Goncalves. The admiral has not been unfavorable in his comments regarding the US and NATO. After a NATO meeting where Spain's desire for some recognition from the alliance had been a topic of discussion, Azevedo expressed pleasant surprise that the US abided by democratic rules and did not dominate the alliance.

Melo Antunes and his closest supporters may have committed themselves too far to turn back now, but the support they will attract to any effort to oust the new government will depend to some extent on aspects of President Costa Gomes' compromise package that have not yet been released. The make-up of the cabinet, for instance, and the government program adopted may affect the willingness of the less-committed to lend their support to an effort to change things by force.

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PERU

The coup that brought General Morales Bermudez to power yesterday appears to have been well planned and timed to coincide with the closing sessions of the nonaligned conference in Lima this week. No bloodshed has been reported, and General Velasco is said to have accepted his overthrow; he is not under arrest.

Morales Bermudez apparently effected the coup from the southern city of Tacna. He had been visiting southern garrisons this week. [redacted] 25X1
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The fact that the initial communique yesterday was issued in the name of the commanders of the military services and the national police strongly suggests that Morales Bermudez has their complete support. Indeed, Morales Bermudez is not likely to have agreed to the move without solid backing from his military colleagues.

Lima and the rest of the country are reported to be calm. Some police officials are concerned that violence will occur in the capital's slum areas, where General Velasco has some support. Police and military elements would be able to put down any demonstrations, but loss of life probably would occur.

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Morales Bermudez appears firmly in command of the situation. There are a number of generals who have been longtime supporters of Velasco and who have not yet been heard from. It is unlikely, however, that they will oppose Morales Bermudez, given the support he has at this time. No troops or military equipment are in evidence in Lima.

According to information from the embassy, the nonaligned conference is at a standstill, as delegates attempt to follow events and perhaps seek instructions from their governments concerning the question of recognition. Some of the delegates have speculated that President Morales Bermudez might address the meeting.
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Chilean authorities have closed the border. Military units probably will be placed on alert until events in Lima are assessed.

* * * *

Morales Bermudez' accession to the top leadership post comes after an extended period of dissatisfaction with former president Velasco's radical, often arbitrary exercise of power. Morales Bermudez is widely supported by officers in all three services for his style of leadership as well as for his political views, which are somewhat less extreme than those of his predecessor.

The new President is likely to seek a less rancorous relationship with the US than did Velasco and probably will tone down the strident, "anti-imperialistic" foreign policies of his predecessor. The basic trend of Peru's domestic policies is likely to continue.

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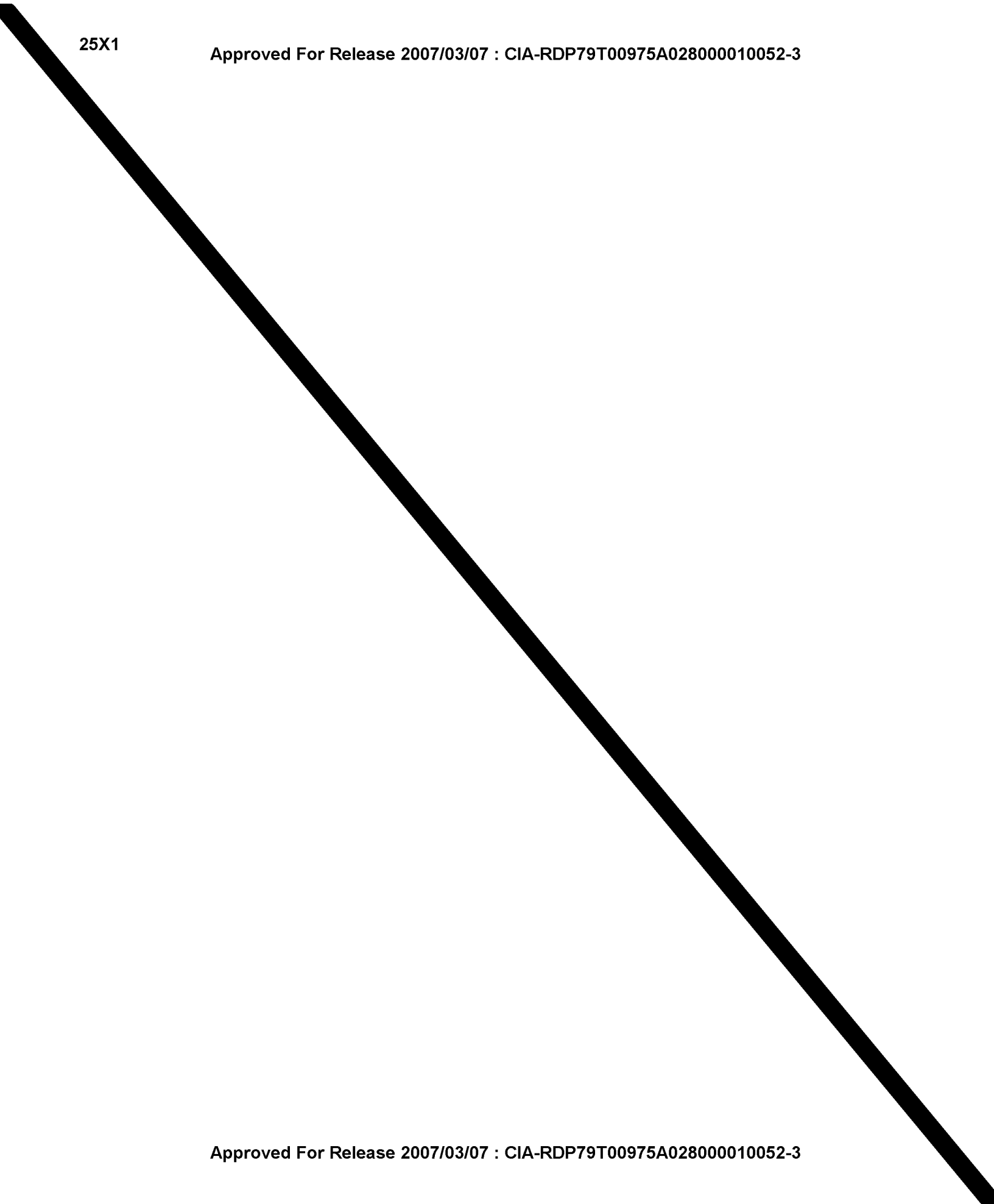

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FRANCE-CORSICA

There have been further outbreaks of violence on the French island of Corsica, despite government efforts to restore order and squelch demands for greater autonomy. The interior minister threatened on August 28 to send in the army to reinforce security units that were dispatched earlier this week.

Most Corsicans do not want independence, but there is widespread support for increased autonomy. Complaints center on the "foreigners"—especially refugees from the former French colony of Algeria—whose economic success contrasts markedly with the worsening conditions in this poorest of the French regions.

Members of the "Action for the Rebirth of Corsica" (ARC) reacted angrily to the government's decision on August 27 to ban their organization. Early the following morning, one policeman was killed and more than a dozen others injured in violent rioting. Another outlawed Corsican autonomist group, the "Peasant Liberation Front," has also threatened to increase its bombing attacks.

Further violence can be expected, especially if the government metes out stiff sentences to the autonomist leader, Dr. Edmond Simeoni, and other members of the outlawed organization. Simeoni, who surrendered after a gunbattle on August 22, appeared on August 27 before France's State Security Council, which tries political crimes, and was charged with leading an armed insurrection against the state, kidnaping, and attempted murder of policemen—crimes punishable by death. A government spokesman has announced that Simeoni and the ten other ARC leaders now under arrest will be dealt with harshly.

The French government is determined to maintain strict control in Corsica. At the same time, President Giscard will doubtless pay lip service to the concept of "regional reform." Late this week, in a move clearly intended to appease the Corsicans, the French President replaced the two top government representatives on the island with senior civil servants of Corsican origin.

Corsican autonomists, however, have made it clear that they will not accept economic and social solutions to what they see as a clearly political problem. They want control over the island's domestic affairs—a step that would require changing the French constitution.

In addition to restoring order on the island, Paris must also try to prevent the "Corsican problem" from spreading to the mainland. The 100,000 Corsicans who live in Marseille have so far refrained from activity supporting the autonomist cause, but the city—already a hotbed of racial tension—could easily erupt into violence.

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There is also a danger that other French separatist movements in Brittany and in the Basque area could step up their campaigns, encouraged by the Corsican example. Breton terrorists have already claimed that two recent bombings in Brittany were carried out in solidarity with the Corsican militants.

Other regions, such as Alsace-Lorraine, also chafe under the inflexible, highly centralized French government. Concessions to Corsica would redouble the pressure on Paris to allow other regions a greater share of autonomy. 25X1

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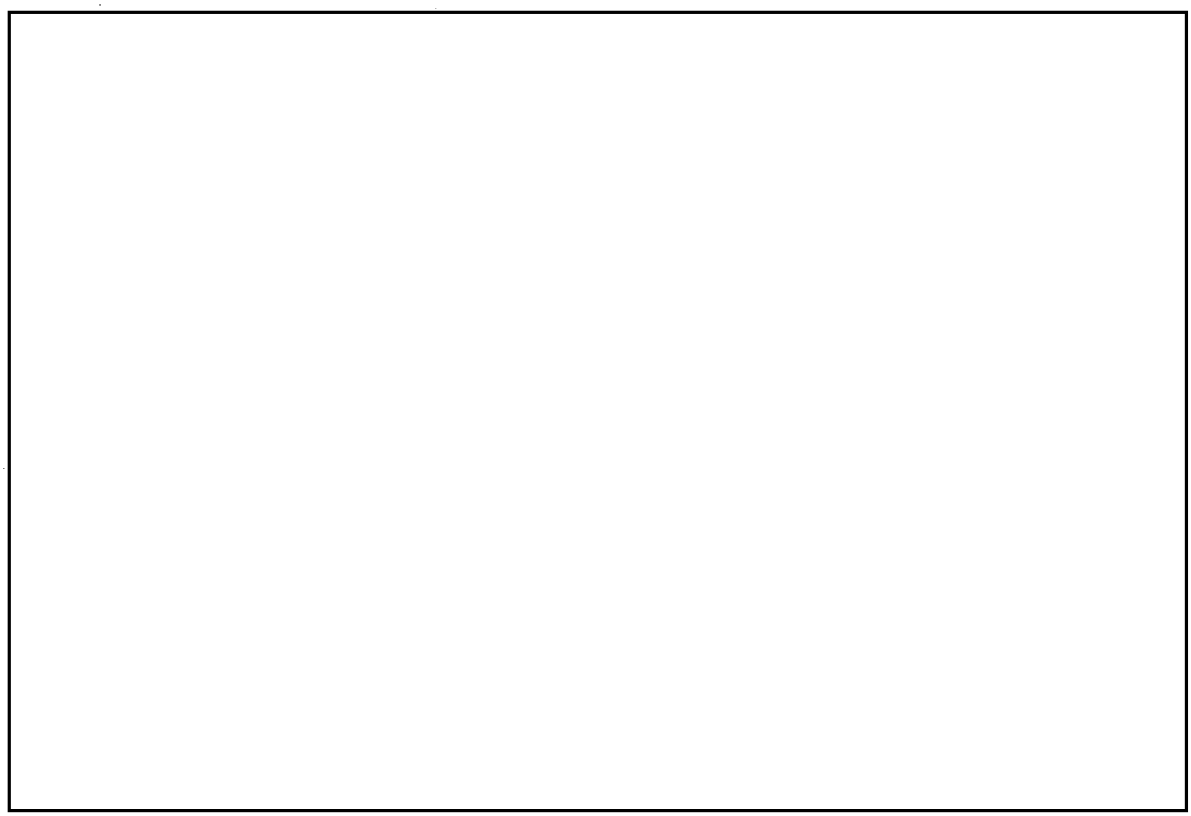

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USSR-EGYPT

The Soviets have taken additional tough steps in their prolonged war of nerves with Egyptian President Sadat.

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One issue irritating Moscow is the US navy's involvement in sweeping mines from Port Said. Egyptian Foreign Minister Fahmi has said the Soviets have formally protested this activity. The Soviets may find the US role particularly galling, since they themselves sought to undertake this venture last winter. At that time, Moscow publicly announced that, in response to an Egyptian request, it would sweep the port free of charge. The Egyptians subsequently denied privately they had ever made such a request.

In what may well be another aspect of the Soviet campaign against Cairo, an anti-Sadat manifesto attributed to the central secretariat of the Egyptian Communist Party appeared last month in a radical paper in Beirut. The manifesto, which presented a detailed indictment of Sadat's foreign and domestic policies, said that while the Communist Party did not have as a goal the overthrow of Sadat, it would seek to stimulate and organize opposition to his policies. Egyptian Prime Minister Salim recently confirmed that the document was drafted and circulated by some Egyptian Communists.

The Egyptian Communist Party was formally disbanded in 1965; its members joined the ruling Arab Socialist Union. It is not clear whether the party, which is illegal but has existed as a loose underground grouping, has formally reconstituted itself. It may be that Communist Party members, with Soviet encouragement, prepared the manifesto to threaten Sadat with the possibility of the party's re-emergence. If indeed this is the Soviet game, it has not rattled Cairo. Salim dismissed the manifesto as insignificant, saying Egyptian Communists are under control.

Moscow's distaste for Sadat's policies, particularly his increasing ties with the US, is so intense that the Soviets are willing to risk further restrictions on their remaining privileges in Egypt, particularly their naval access to Alexandria and its dockyards. The Soviets certainly realize that if the current disengagement talks are successful, Sadat will be in a stronger position. The Soviets, however, have not burned all their bridges; for example, they continue to avoid direct, personal invective against Sadat.

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ARAB STATES - ROMANIA

The Arab Boycott Organization, meeting in Cairo, announced on Thursday that it has added Romania's civil airline, Tarom, to its blacklist of firms that operate in Israel. Early last year the Arabs threatened to blacklist Romania because of its diplomatic ties with Israel, but backed off after President Ceausescu interceded personally to forestall the move.

The announcement on Thursday gave no reason for the decision. In gaining most-favored-nation status with the US recently, Bucharest simultaneously increased the number of Romanian Jews allowed to emigrate. Tarom has operated flights into Israel since 1968, and presumably would be a major carrier of emigrants to Israel.

Moreover, the Boycott Organization has apparently eased its criteria for imposing the boycott on other businesses, requiring only that a firm establish in an Arab country an enterprise similar to its operation in Israel. Heretofore, any business that operated in Israel has been subject to blacklisting. Individual Arab countries have always found a way to circumvent even this restriction if this served their interests.

The ban on Tarom is an embarrassment to President Ceausescu, whose regime has sought to maintain a balance between the two sides in the Middle East dispute. Bucharest can now be expected to go out of its way to demonstrate its good intentions toward the Arabs and reinforce its "impartiality" in the dispute. But it is unlikely that the Arab action will influence Romania to change its stance toward Israel.

Tarom is the only communist airline that serves Tel Aviv as well as Beirut, Cairo, and Algiers. It operates eight flights a week to the Middle East, totaling approximately one sixth of its overall international service. Loss of the routes to Arab countries will not have a significant economic impact on Tarom, however, since its most lucrative routes are those to Western Europe.

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CHINA

Peking's reaction to the ongoing Middle East negotiations has been low key.

The only public Chinese commentary has been a news release on August 23 that sketched in the background of Secretary Kissinger's latest efforts but provided few details. The report devoted as much attention to Moscow's attempts "to continue its expansion in the Middle East" and "sell out" the Arabs as it did to the current US mediation effort. The implication that the US has maintained the initiative in the Middle East, "brushing the Soviet Union aside," can be viewed as an oblique stamp of approval.

Although the Chinese have for some time favored a new interim agreement in the Middle East, believing that it would substantially undermine the Soviet position in the region, the official line from Peking is likely to remain circumspect. Uncertainty over the depth of militant Arab opposition to a second-stage Sinai disengagement will be a major factor. Peking has worked hard in recent months to improve relations with Iraq and the Palestinians so as to dilute Soviet influence. For similar reasons, China has urged closer cooperation between Arab radicals and those less strident.

From Peking's point of view, more visible signs of support for an Egyptian-Israeli agreement would run the risk of undercutting its effort to court the Arab militants and of sharpening differences within Arab ranks. [redacted] 25X1

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USSR

Soviet propagandists are playing up the need for an Asian security conference, similar to the one recently concluded in Europe. Both *Izvestiya* on August 27 and the latest issue of *New Times* carry articles that stress the applicability to Asia of the principles agreed to at the Helsinki summit.

The principle the Soviets deem most relevant for Asia is that of inviolability of frontiers. *Izvestiya* attacks Maoists and "revanchists" in Japan for favoring territorial revision, and claims that most Asian countries, including India, favor resolving frontier disputes by peaceful means.

Izvestiya seems to imply that the Middle East should be included in any Asian security arrangement. This is the first time the Soviets have publicly suggested this, although Mikhail Kapitsa, chief of the Foreign Ministry's First Asian Division, said much the same thing privately on August 19.

The addition of the Middle East only underlines the propagandistic purpose of the Soviet Asian-security concept. The Soviets are under no illusions about the short-term prospects for their proposals, and Kapitsa himself was forced to admit to a Western diplomat that it was an idea whose time was still several years away.

The renewed emphasis on Asian collective security is a logical follow-on to the European security conference and a way of countering China's charge that the Soviets seek hegemony in Asia. The latest issue of the Soviets' leading theoretical journal, *Kommunist*, also carries a lengthy editorial on China. Taken together, both appear to be part of a new propaganda campaign against the Chinese.

The text of the *Kommunist* article is not yet available, but some of its main points, such as the admonition against neutral or conciliatory attitudes toward China, are already being echoed by Moscow's stalwarts in Eastern Europe. One purpose of the article and of the broader Soviet campaign is to establish a hard line on China for the benefit of such wayward thinkers as the Romanians and the Yugoslavs. In claiming that anti-Sovietism is becoming institutionalized in China, Moscow may be arguing against the possibility of a softer line out of Peking after Mao dies. [redacted] 25X1

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ANNEX

Prospects for Major Fighting in Lebanon

There is a real possibility that major fighting between the Christians and Muslims will soon recur in Lebanon, and the fighting in Zahlah on August 28 is the type of incident that could trigger it. Such fighting would probably be bloody and violent, with neither side having sufficient strength to emerge victorious. It could result in changes in the structure of the government.

During the seven weeks that Prime Minister Karami's government has been in office, order has been established and generally maintained in Lebanon. Serious problems continue, however, and opposition elements are arming in anticipation of renewed hostilities.

Karami's "salvation cabinet" has pursued a cautious but reasonably active approach in trying to solve potentially disruptive problems. For example, the government is trying to gain legislative approval for a large public building project to solve the housing shortage in Beirut. Most Lebanese cynically note, however, that the same plan was debated and rejected 15 years ago, and they believe this government will be equally unsuccessful in getting it through parliament.

The cabinet thus far has effectively prevented minor incidents from developing into major, potentially explosive confrontations. The Lebanese security forces have been careful not to antagonize either leftist or rightist groups. In any major confrontation, however, they would not be able to retain control of the situation without the full cooperation of Christian, Palestinian, and Muslim political leaders.

Karami has made no progress toward solving the major problems that led to the series of crises this spring. Although he has been working with both Muslim and Christian religious leaders to forestall another round of fighting, most Lebanese consider a widespread conflict unavoidable and are preparing for it. Normally peaceful citizens are volunteering for clandestine military training, and large amounts of arms and ammunition are being brought into the country for Christian, Palestinian, and non-Palestinian Muslim groups.

The Lebanese government is based on a carefully worked-out but unwritten compromise that maintains a delicate balance between Christian and Muslim elements. The future of the 1943 national covenant, which provides for political representation in proportion to the numerical strength of each religious group in the country, is now being called into question. It specifies that the president shall be a Maronite Christian, the prime minister a Sunni Muslim, and the speaker of parliament a Shiite Muslim. The covenant has remained virtually unchanged since its inception.

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Since 1943 the Muslim population has grown at a faster rate than the Christian, but political offices have not been redistributed to reflect the new ratio. Because of concern over losing their political advantage, the Christian-based Phalanges Party and the Christian-officered army oppose any change. On the other hand, some Muslim groups want to alter the political structure to reflect their increased numbers.

The situation is further complicated by a division within the Muslim community as to what form the new structure should take. Shiite Muslims are anxious to establish and maintain parity with the Sunni Muslims in a new government. In fact, Shiite leader Imam Musa Sadr has announced that he favors a Christian as president, probably to check the political power of Karami, a Sunni. In addition, powerful minority groups such as the Druze resist any moves that weaken their ability to influence government decisions.

President Franjiyah, because of his efforts to avoid a full-scale civil war or large-scale Syrian military intervention, was forced to accept Rashid Karami as premier. Karami, a Sunni Muslim who has long been a strong political figure in Lebanon, moved rather quickly and effectively to consolidate his power. He presently has the political initiative, and his influence is increasing.

Franjiyah is a shrewd politician who will probably seek ways to diminish Karami's powerful influence in government affairs, even though the President is scheduled to leave office in late 1976. He will probably bide his time, expecting Karami eventually to founder on Lebanon's almost insoluble problems. Franjiyah would be reluctant to risk a premature move that could strengthen Karami's position.

The growing Palestinian presence in Lebanon threatens to cause a greater Muslim-Christian imbalance. Perhaps as many as 350,000 Palestinians now live in Lebanon. Over the past several months, the fedayeen have regrouped, trained, and armed the refugees to resist government and Phalangist efforts to exert greater control over refugee camps. In addition, the fedayeen have been operating virtually autonomously in the refugee camps and in the southern part of the country. Activities by the fedayeen have prompted retaliatory Israeli air, naval, artillery, and ground strikes against their operational bases located in Lebanese villages.

The fedayeen are concerned about the possibility of an Egyptian-Israeli settlement in the Sinai, particularly if it includes a provision for initiating negotiations on the Golan Heights but not on the Palestinian problem. They fear that their power base will be seriously weakened if Egypt and Syria move toward a negotiated settlement with Israel and no provision is made for similar progress in solving the Palestinian refugee problem.

Should a Sinai agreement be reached, the fedayeen can be expected to step up cross-border terrorist operations into Israel from Lebanon. Israeli retaliatory strikes and additional Palestinian efforts to exert pressure on the Lebanese and other Arab governments would increase tensions as well as prospects for renewed hostilities.

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Christian-Muslim antagonisms are being aggravated by outside interference. Libya reportedly has provided at least $30 million to dissident groups in Lebanon. This aid is intended primarily to support those elements who oppose any negotiated settlement with Israel, but it also serves to strengthen the groups that are resisting Lebanese efforts to establish control over the Palestinians' activities.

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